

EXHIBIT C

This Document is filed under seal pursuant to the Protective Order of the Court dated March 14, 2007 [D.E. 133].

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK**

IN RE VITAMIN C ANTITRUST LITIGATION	
This Document Relates To:	MASTER FILE 1:06-MD-1738 (DGT)(JO)
ANIMAL SCIENCE PRODUCTS, INC., <i>et al.</i> ,	
Plaintiffs,	CV-05-453
vs.	
HEBEI WELCOME PHARMACEUTICAL CO., LTD., <i>et al.</i> ,	
Defendants.	

DECLARATION OF LAWRENCE WU

Lawrence Wu hereby declares under penalty of perjury:

I. INTRODUCTION

1. I am an economist and Senior Vice President at NERA Economic Consulting. I am also currently a Visiting Scholar at the Stanford Institute for Economic Policy Research at Stanford University. I received my B.A. from Stanford University and my Ph.D. from the University of Chicago, Graduate School of Business. Prior to joining NERA, I was a staff economist in the Bureau of Economics at the Federal Trade Commission (FTC). At the FTC, I analyzed the competitive effects of numerous proposed mergers and a variety of potentially anticompetitive conduct.

2. I have analyzed and calculated damages in connection with alleged price fixing. I also have analyzed the competitive implications of mergers and acquisitions, as well as a broad range of business practices in many retail, manufacturing, and service industries. I have provided written and oral expert testimony on numerous occasions, which include testimony in

set collusively above competitive levels, after which there were periods of price wars in which prices were below costs.⁴

14. These empirical studies are consistent with the theoretical literature. For example, in a seminal article by economists Edward Green and Robert Porter, the authors note, “When the considerations of imperfect information, which played a decisive role in [George] Stigler's theory [of cartels], are reintroduced [into models of cartel conduct], optimal incentive structures may involve episodic recourse to the kind of short run unprofitable conduct which would have been characterized as ‘price wars’ or ‘punishment’ previously.”⁵ In another seminal article by economists Julio Rotemberg and Garth Saloner, the authors note that “When demand is relatively high and price is the strategic variable, the benefit to a single firm from undercutting the price that maximizes joint profits is larger.”⁶ In this line of the literature, “price wars” are the product of increased incentives to cheat on a cartel during periods of high demand.

15. This is what I described in my report as the “waxing and waning” of the alleged cartel.⁷ As I stated in my report, the evidence in this case indicates that the alleged cartel waxed and waned over time. For example, as I noted in my expert report, “after the initial outbreak of SARS and the rise in prices, ‘cartel members began opportunistically reducing prices to obtain increased sales,’ which is a period that the industry has ‘[l]abeled a price war.’”⁸ For these reasons, my regression analysis yields results that are reasonable and plausible.

B. The Pre-Cartel Period of Regulation Ended with Allegations about Dumping and the Chinese Government’s Concerns that the Vitamin C Manufacturers Were Not Adhering to Government Regulations

16. The plaintiffs claim that I have opined that the Chinese government’s attempts to raise prices in the pre-cartel period led instead to lower prices and that this conclusion is

⁴ Fabra, Natalia, and Juan Toro. “Price wars and collusion in the Spanish electricity market,” *International Journal of Industrial Organization*, Vol. 23 (2005), pp. 155-181.

⁵ Green, Edward J. and Robert H. Porter. “Noncooperative Collusion Under Imperfect Price Information,” *Econometrica*, Vol. 52, No. 1 (1984), pp. 87-100.

⁶ Rotemberg, Julio J. and Garth Saloner. “A Supergame-Theoretic Model of Price Wars during Boom,” *The American Economic Review*, Vol. 76, No. 3 (Jun., 1986), pp. 390-407

⁷ Wu Report, p. 6-7, 46-47.

⁸ Wu Report, p. 6. Also see Third Amended Complaint, ¶ 68.